

After-the-Deal-is-Done

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First Draw Requirements for DES at Initial Closing

- Form HUD-92448 – Filled out by Contractor for all work including pre-commitment or early start work
- Date for cutoff for such work set by Owner, Architect, and Contractor
- Usually DES project manager makes a site visit and meeting
- All costs such as A/E fees, consultants, and other pre-approved fees may be submitted by the Owner on Form HUD-92403
- DES Project Manager will review costs in his/her office and send approvals on to DFL in Rockville, MD

N.B. – DES is responsible for those costs as they appear on the left side of the approved Form HUD-92013 at initial closing and throughout the project

HUD Form-92448 (sample)

FHA Form No. 2448 (Hosp.) Rev. 4/75 (Previous Edition is Obsolete)	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FEDERAL HOUSING ADMINISTRATION	Form Approved OMB No. 53-R1240
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**HOSPITAL SECTION - 242
CONTRACTOR'S REQUISITION**

Project No.: _____

Requestion No.: _____

TO: **MORTGAGOR** LOCATION: _____

PROJECT NAME: _____

In accordance with the provision of the Construction Contract dated _____ this requisition is submitted for the amount of \$ _____ due for work performed up to the _____ day of _____, 20____.

Items	AMOUNTS REQUESTED	FOR FHA USE ONLY AMOUNTS APPROVED
1. Total Work Completed (Original Construction Contract)		
2. Inventory of Materials Stored Onsite		
3. Sum of Work Completed Plus Inventories of Materials		
4. Less Net Decrease in Cost as a Result of Approved Changes		
5. Total After Adjusting for Net Decrease in Cost as a Result of Approved Changes		
6. Less Prorate Share (%) to be Paid from Hill-Burton or other Grants, etc.		
7. Balance: (Item 5 minus Item 6, if any)		
8. Less Retained 10% (10% of Item 7) (After Completion of at least 50% of Construction, and upon written approval of HEW and the surety, further holdback will not be required. In such cases, insert amount shown for last previous holdback).		
9. Balance: Total Amount Due to Date on Account of Construction Contract		
10. Less Previous Payments from Mortgage Proceeds and/or Mortgagor's Escrow		
11. Net Amount Due on this Requisition		

CONTRACTOR'S CERTIFICATE

I/We hereby CERTIFY that I/We have received payment, in cash, of _____ up to the date hereof of CONSTRUCTION contract applicable to this project.

DATE: _____ NAME OF CONTRACTOR: _____

BY: _____ Title _____

Approved: _____

Date: _____

ARCHITECTS CERTIFICATE

CERTIFY that I (or any authorized representative) have visited the project, within _____ days prior to this Certificate, to determine the true basis of cost upon which I hereby certify this payment. I further certify that all prior work and the work, labor and materials, to be paid for under this Request for Payment are satisfactory and in accordance with the Contract Drawings.

Amount: _____

Name of Architect: _____

BY: _____

Date: _____

FOR USE OF FEDERAL HOUSING ADMINISTRATION

Date: _____ Net Amount Approved for Payment From Mortgage Proceeds and/or Mortgagor's Cash Escrow: \$ _____

Completed By: _____ Mortgage Credit Examiner

Reviewed By: _____ Chief Mortgage Credit Examiner

Approved: _____ Chief Underwriter/Director, HPMC Division

38661-F Rev. 4/75 FHA FORM NO. 2448 (Hosp)

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AIA Document G702-Application and Certificate for Payment (sample)

APPLICATION AND CERTIFICATE FOR PAYMENT

AIA DOCUMENT G702 (Instructions on reverse side) PAGE ONE OF TWO

TO OWNER:

PROJECT:

APPLICATION NO.:

Distribution to:

PERIOD TO:

☐ OWNER

PROJECT NOS.:

☐ ARCHITECT

FROM CONTRACTOR:

VIA ARCHITECT:

CONTRACT DATE:

☐ CONTRACTOR

☐

☐

CONTRACT FOR:

CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract. Continuation Sheet, AIA Document G703, is attached.

1. **ORIGINAL CONTRACT SUM** \$ _____
2. **Net change by Change Orders** \$ _____
3. **CONTRACT SUM TO DATE** (Line 1 + 2) \$ _____
4. **TOTAL COMPLETED & STORED TO DATE** \$ _____
(Column G on G703)
5. **RETAINAGE:**
 - a. _____% of Completed Work \$ _____
(Columns D + E on G703)
 - b. _____% of Stored Material \$ _____
(Column F on G703)
- Total Retainage (Line 5a + 5b or
Total in Column I of G703) \$ _____
6. **TOTAL EARNED LESS RETAINAGE** \$ _____
(Line 4 less Line 5 Total)
7. **LESS PREVIOUS CERTIFICATES FOR PAYMENT**
(Line 6 from prior Certificate) \$ _____
8. **CURRENT PAYMENT DUE** \$ _____
9. **BALANCE TO FINISH, INCLUDING RETAINAGE**
(Line 3 less Line 6) \$ _____

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner		
Total approved this Month		
TOTALS		
NET CHANGES by Change Order		

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR:

By: _____ Date: _____

State of:

County of:

Subscribed and sworn to before
me this _____ day of _____

Notary Public:

My Commission expires: _____

ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising this application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED \$ _____

(Attach explanation if amount certified differs from the amount applied for. Initial all figures on this Application and on the Continuation Sheet that are changed to conform to the amount certified.)

ARCHITECT:

By: _____ Date: _____

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.



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G702-1992

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AFTER-THE-DEAL-IS-DONE

Form HUD-92403 (sample)

AFTER-THETHE-DEAL-IS-DONE

Application for Insurance of Advance of Mortgage Proceeds

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0097 (exp. 4/30/95)

reporting burden for this collection of information is estimated to average 0.5 hours per response, including the time for reviewing instructions, searching existing sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Office of Information Policies and Systems, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600 and to the Office of Management and Budget, Paperwork Reduction Project (2502-0097), Washington, D.C. 20503. Do not send this completed form to either of these addressees.

Name of Project	Project Number	Advance Number
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Request for Payment

Instructions to Mortgagor: This request is to be submitted to your mortgagee in triplicate. All items requested shall be clearly identified by description. No item shall be applied for until payment is due. A request covering construction cost shall show one entry for the total payment requested to meet the net amount due according to the Contractor's Requisition (form HUD-92448) attached hereto. The request for the first payment on account of the Architect's cash fee shall be accompanied by the Mortgagor's and Architect's Certificate (form HUD-92403.1) attached hereto.

To Mortgagee: The undersigned mortgagor hereby requests the mortgagee identified below to advance funds as provided for by the Building Loan Agreement heretofore executed on the _____ day of _____, 19____ as indicated by the total amount of the individual payments set forth in the schedule below.

Item Number and Description	(A) Amount Claimed	(B) HUD-Approved Amt.
1. Construction cost per form HUD-92448	\$	\$
2. Interest from () to ()		
3. Architect's Fee		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
Total Due on This Requisition	\$	\$

The undersigned hereby certifies that all of the above items have been paid or will be paid within five (5) days of receipt of the requisitioned funds. We hand you herewith full supporting invoices and/or receipts, as required, covering such items enumerated, to be forwarded with this request to HUD for review. With respect to any item of interest enumerated above, we herewith authorize you to advance same and charge our account therewith. The undersigned further certifies that all prior work, labor, and materials to be paid for under this request are satisfactory and are in accordance with the contract drawings.

Name of Mortgagor	By: Signature of Authorized Mortgagor Official	Date
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For Use by Mortgagee

Instructions: This request is to be submitted to HUD in triplicate (original and all copies must be signed).

To HUD: To the best of our knowledge, information and belief, the sum requested above is now payable. We intend to disburse said sum within five (5) days following the date of your approval. \$ _____ will be advanced from mortgage proceeds; and the undersigned, therefore, requests that you issue a certificate approving the amount of such advance for mortgage insurance. The undersigned certifies that hazard insurance as required by the Department of Housing and Urban Development is in full force and effect upon whatever improvements are now upon the mortgage premises including, but not limited to, materials stored on the site for which an advance is being requested. You are further advised that after the payment herein first mentioned is made, a total sum of \$ _____ will have been disbursed from mortgage proceeds and that the total sum of \$ _____ will have been disbursed from the mortgagor's cash escrow funds required, if any, over mortgage proceeds to complete the project.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name and Address of Mortgagee	By: Signature of Authorized Mortgagee Official	Date
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Servicer Responsibilities During Construction Phase

- Attend monthly requisition meeting at Hospital with architect, construction manager and DES inspector to review work completed by the Construction Manager, as needed.
- Review Construction Manager's requisition (form FHA-2448) and attachments:
 - ❖ Form AIA-G702 and AIA-G703 for CM and each subcontractor
 - ❖ Lien waivers for CM and each subcontractor
 - ❖ Invoices for all general condition items claimed by CM

****Important Note:** Unlike HUD's nursing home program, monthly construction requisitions are NOT based on the percentage of construction completion, but on actual costs of work completed during the month. Subcontractor's invoices must be included in each monthly requisition package.

Servicer Responsibilities During Construction Phase

- **Monitoring Capitalized Interest:**
 - ❖ Look for savings, get approval for use far enough in advance to fit in with contractor's schedule. Again, be sure use is in accordance with TEFRA notice.
 - ❖ Look for shortfalls and be sure Hospital knows they will have to make payments in excess of what's available in the mortgage.

Other Servicer Responsibilities

- Determine that change orders are acceptable to Hospital, Architect and DES.
- Determine that there is a source of payment for all change orders.
- Ask HUD for approval for Line Item Transfers.
- Check the TEFRA notice before moving forward. The TEFRA Notice is the public notice issued on tax-exempt deals that discloses how the tax-exempt funds will be used.

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HHS Loan & Construction Branch

- The Loan & Construction Branch (LCB) within the Division of Facilities and Loans, HHS, is responsible for:

- ❖ Maintaining Spread Sheets
- ❖ Advances/Draw Requests
- ❖ Line Item Transfers
- ❖ Cost Certification
- ❖ Final Endorsement Recommendation

Case Initiation

- Each new project is assigned to a LCB representative
- The assigned person will be your point of contact and will be processing all requests for your Hospital.

AFTER-THE-DEAL-IS-DONE

Flow of an Advance/Draw Request

- Hospital forwards invoices, etc. to Servicer.
- Servicer prepares Application for Insurance of Advance of Mortgage Proceeds, form HUD-92403 and forwards Form 92403 w\backup to LCB & DES.
- DES reviews construction related expenses, sends initialed Form 92403, site visit report & approved Form 2448 to LCB.
- LCB staff updates spreadsheet to ensure that there are sufficient funds in each line item to cover requested amounts.

AFTER-THE-DEAL-IS-DONE

Flow of an Advance/Draw Request

- LCB reviews remaining expenses, initials expenses, sends letter to local HUD Office recommending approval with copy to Servicer.
- If there are disallowances or corrections, LCB changes the Form 92403 and changes are noted in the letter to HUD.
- HUD reviews requests, approves or modifies each line item, and then notifies Servicer and LCB.
- When approved advance is received back from HUD, the Servicer obtains evidence that title is clear and arranges funding with Mortgagee.
- Servicer ensures Capitalized Interest is funded in time to meet bond or mortgage obligations.

Line Item Transfer Requests

- Changes Project Budget Due to Unforeseen Problems and/or Desires of the Hospital
- Changes to Project Budget Between Commitment and Initial Endorsement are not Line Item Transfers.
- Mortgagee, DES (if construction related line items are involved), and AE Concurrence are required.
- Transfers can be accomplished only if known surpluses are available.

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Line Item Transfers – Timing Issues

- *If BEFORE Substantial Completion:*
 - ❖ Can be processed by DES/AE and LCB.
- *If AFTER Substantial Completion:*
 - ❖ Unused Monies Subject to Project Savings Covenant of Regulatory Agreement.
 - ❖ Unless deemed minimal, OIHCF Approval Required.

Flow of Line Item Transfer Requests

- Hospital forwards request with proof of availability of funds and justification for transfer to Servicer.
- Servicer forwards request with statement that mortgagee concurs with request to LCB, DES (if applicable) & AE.
- DES (if applicable) and AE concur or reject the request.
- LCB confirms availability of monies.

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Line Item Transfers

- *If BEFORE Substantial Completion:*
 - ❖ LCB sends letter to local HUD Office recommending approval with copy to Servicer.
- *If AFTER Substantial Completion:*
 - ❖ OIHCF letter to local Hud Office recommending approval with copy to Servicer.
- HUD approves/rejects the request and then notifies Servicer and LCB.
- Spreadsheets updated.

Final Endorsement

- The conversion of the construction loan to a permanent loan. Final advance of mortgage funds.
- Does NOT correspond to commencement of amortization.

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Documents Needed for Final Closing

1. AIA Form G704 - Executed Copy of Certificate of Substantial Completion
2. AIA Form G706A - Certificate of Release of Liens
3. AIA Form G707 - Consent of Surety Company for Final Payment (Release of Liens)
4. AIA Form G702 - Architect's & Contractor's Final Certificate of Payment
5. Architect's Letter Asserting Compliance with State DOH or Authority Having Jurisdiction

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Documents Needed for Final Closing (cont.)

6. CPA Final Cost Certification with Opinion Relating to Overall Costs
7. Certification that all change orders have been included in CPA final cost certification
8. HUD Form 92330 - Mortgagor's Certificate of Final Costs
9. HUD Form 92330A - CM or Contractor's Certificate of Final Costs
10. Certificate of Occupancy from local building authority including State Department of Health
11. DES Form 2-14

AIA Document G702-Application and Certificate for Payment (sample)

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APPLICATION AND CERTIFICATE FOR PAYMENT AIA DOCUMENT G702 (Instructions on reverse side) PAGE ONE OF PAGES

TO OWNER: PROJECT: APPLICATION NO.: Distribution to:
 PERIOD TO: ☐ OWNER
 PROJECT NOS.: ☐ ARCHITECT
 CONTRACT DATE: ☐ CONTRACTOR
☐

FROM CONTRACTOR: VIA ARCHITECT:

CONTRACT FOR:

CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract. Continuation Sheet, AIA Document G703, is attached.

1. ORIGINAL CONTRACT SUM \$
2. Net change by Change Orders \$
3. CONTRACT SUM TO DATE (Line 1 + 2) \$
4. TOTAL COMPLETED & STORED TO DATE \$
(Column G on G703)
5. RETAINAGE:
 - a. % of Completed Work \$
(Columns D + E on G703)
 - b. % of Stored Material \$
(Column F on G703)
 - Total Retainage (Line 5a + 5b or
Total in Column I of G703) \$
6. TOTAL EARNED LESS RETAINAGE \$
(Line 4 less Line 5 Total)
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT
(Line 6 from prior Certificate) \$
8. CURRENT PAYMENT DUE \$
9. BALANCE TO FINISH, INCLUDING RETAINAGE
(Line 3 less Line 6) \$

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner		
Total approved this Month		
TOTALS		
NET CHANGES by Change Order		

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR:

By: _____ Date: _____

State of:

County of:

Subscribed and sworn to before
me this _____ day of _____

Notary Public:

My Commission expires: _____

ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising this application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED \$

(Attach explanation if amount certified differs from the amount applied for. Initial all figures on this Application and on the Continuation Sheet that are changed to conform to the amount certified.)

ARCHITECT:

By: _____ Date: _____

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.



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AIA Document G704-Certificate of Substantial Completion (sample)

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AIA DOCUMENT		G704-2000
<div style="text-align: center;">Certificate of Substantial Completion <i>(Instructions on reverse side)</i></div> <div style="display: flex; justify-content: space-between;"><div style="width: 30%;"><p>PROJECT: <i>(Name and address)</i></p><p>TO OWNER: <i>(Name and address)</i></p></div><div style="width: 30%;"><p>PROJECT NUMBER:</p><p>CONTRACT FOR:</p><p>CONTRACT DATE:</p><p>TO CONTRACTOR: <i>(Name and address)</i></p></div><div style="width: 30%; text-align: right;"><p>OWNER <input type="checkbox"/></p><p>ARCHITECT <input type="checkbox"/></p><p>CONTRACTOR <input type="checkbox"/></p><p>FIELD <input type="checkbox"/></p><p>OTHER <input type="checkbox"/></p></div></div> <p>PROJECT OR PORTION OF THE PROJECT DESIGNATED FOR PARTIAL OCCUPANCY OR USE SHALL INCLUDE:</p> <p style="margin-top: 20px;">The Work performed under this Contract has been reviewed and found, to the Architect's best knowledge, information and belief, to be substantially complete. Substantial Completion is the stage in the progress of the Work when the Work or designated portion is sufficiently complete in accordance with the Contract Documents so that the Owner can occupy or utilize the Work for its intended use. The date of Substantial Completion of the Project or portion designated above is the date of issuance established by this Certificate, which is also the date of commencement of applicable warranties required by the Contract Documents, except as stated below:</p> <div style="display: flex; justify-content: space-between; margin-top: 20px;"><div style="width: 30%;"><p>ARCHITECT</p><p>A list of items to be completed or corrected is attached hereto. The failure to include any items on such list does not alter the responsibility of the Contractor to complete all Work in accordance with the Contract Documents. Unless otherwise agreed to in writing, the date of commencement of warranties for items on the attached list will be the date of issuance of the final Certificate of Payment or the date of final payment.</p><p>Cost estimate of Work that is incomplete or defective:</p><p>The Contractor will complete or correct the Work on the list of items attached hereto within _____ () days from the above date of Substantial Completion.</p></div><div style="width: 30%;"><p>BY</p><p>DATE OF ISSUANCE</p></div><div style="width: 30%;"><p>CONTRACTOR</p><p>The Owner accepts the Work or designated portion as substantially complete and will assume full possession at _____ (time) on _____ (date).</p></div></div> <div style="display: flex; justify-content: space-between; margin-top: 20px;"><div style="width: 30%;"><p>OWNER</p><p>The responsibilities of the Owner and Contractor for security, maintenance, heat, utilities, damage to the Work and insurance shall be as follows: <i>(Note: Owner's and Contractor's legal and insurance counsel should determine and review insurance requirements and coverage.)</i></p></div><div style="width: 30%;"><p>BY</p><p>DATE</p></div><div style="width: 30%; text-align: center;"><p>© 2000 AIA® AIA DOCUMENT G704-2000 CERTIFICATE OF SUBSTANTIAL COMPLETION</p></div></div> <div style="display: flex; justify-content: space-between; margin-top: 20px;"><div style="width: 60%; font-size: small;"><p>©2000 The American Institute of Architects. Reproduction of the material herein or substantial quotation of its provisions without written permission of the AIA violates the copyright laws of the United States and will subject the violator to legal prosecution. WARNING: Unlicensed photocopying violates U.S. copyright laws and will subject the violator to legal prosecution.</p></div><div style="width: 35%; font-size: x-small;"><p>The American Institute of Architects 1735 New York Avenue, N.W. Washington, D.C. 20006-5292</p></div></div>		

SAMPLE:

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FHA
HEALTH CARE FACILITIES
www.fha.gov/hospitals

Cost Certification & Final Endorsement Recommendation

- Hospital must pick project cost cutoff date which is no later than 60 days from DES determination of substantial completion.
- Auditor completes cost certification after cutoff date.
- Servicer submits audit to LCB & Local HUD Office.
- LCB compares cost certification to spreadsheet.
- If significant differences, will there be a final draw?
- If potential mortgage reduction, confirm with Hospital & Mortgagee/Servicer.

AFTER-THI-DEAL-S-DONE

Cost Certification & Final Endorsement Recommendation

- LCB sends letter to local HUD office with final total project cost, line item amounts, size of mortgage and size of equity contribution.
- Changes from original mortgage and equity amounts are noted.
- Usually one letter covers both cost certification and recommendation to proceed to final endorsement.
- Copies of the letter are provided to the Servicer, AE, OIHCF, and the Regional HUD OGC.

AFTER-THI-DEAL-IS-DONE

Servicer Responsibilities During Final Endorsement

- Cost Certification by Mortgagor (Form HUD-92330) and Construction Manager (Form HUD-92330-A), with independent auditor's report
- Contractor's Documents – servicer should NOT allow final payment to contractor unless ALL of required documents for final endorsement are in-hand
- DES, DFL and HUD have lists of required documents for final endorsement

AFTER-THE-DEAL-IS-DONE

Contact Information

Division of Engineering Services, HHS

❖ Emilio Pucillo 212-264-3600

Loans and Construction Branch, Division of Facilities and Loans, HHS

❖ Peyton Kuhlthau 301-443-5192

❖ Bill Banerjee 301-443-5696

❖ Kendell Battle 301-443-9527

❖ Jill Borten 301-443-6555

Mailing Address:

5600 Fishers Lane, Room 10C-16

Rockville, MD 20857



QUESTIONS?

